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SUBJECT: AIRLINES EXPECT DROP IN BOOKINGS/PROFITS WITH IRAQ OPERATION

1. (SBU) Summary. Turkish Airlines (THY) and Delta Airlines Istanbul Office are concerned about the impact of a potential Iraq war on their operations. THY expects that bookings on flights to the U.S., Europe, and the Far East, as well as domestic flights, will drop considerably. Delta is preparing for a possible shut-down of its Istanbul office. Both airlines expect a decrease in profits for their Turkey operations in 2003. End summary.

2. (SBU) Head of Marketing for Turkish Airlines Guliz Ozturk told econoff February 20 that THY expected a significant decrease in international and domestic operations due to a possible Iraq operation. THY is currently running 10 flights per week to the U.S. -- 7 days a week to New York, and 3 days a week to Chicago. Ozturk said she expected that travel by Turkish nationals to/from the U.S. would not change significantly, but other tourism and business travel could drop considerably. THY hoped it would not have to cut any of its U.S. flights, but would reevaluate its decision based on bookings. Ozturk expected that flights to and from the Far East would take the biggest hit, noting that THY already had decided to cut its Japan flights from 7x/week to 4x/week. She said THY also anticipated a significant drop in bookings on THY,s European flights, with the exception of travel by Turkish nationals to/from Germany.

3. (SBU) Ozkurk said THY was also concerned about its domestic operations to the eastern and southeastern Turkey, particularly to Adana, Diyarbakir, and Erzerum. She noted that it would be difficult, if not impossible, to keep aircraft and crews overnight in these cities once an operation began. Ozkurk said the likely negative impact on THY,s profits was particularly distressing given the airline,s efforts in 2002. Despite 9/11, increased insurance costs, and an economic crisis, 2002 had been THY,s most profitable year since 1996. An Iraq operation would make it difficult to achieve such profit levels again in 2003.

4. (SBU) Delta Airlines Istanbul Station Manager Giray Salgirtay told econoff he was preparing for a possible shut-down of the Istanbul office in the case of an Iraq operation. Salgirtay noted that Delta currently runs four flights/week from Istanbul to New York. Although he hoped flights would continue at the current level, it was likely they would decrease -- or cease -- at least temporarily during an Iraq operation. Salgirtay noted that, prior to 9/11, the Turkey office had been one of Delta,s most profitable international operations. However, business had decreased due to September 11 and the subsequent war in Afghanistan, causing the Turkey operation to barely break even in 2002. Salgirtay said that most summer tours and cruises booked from February to April; therefore, he soon would have a better idea of how concerns about an Iraq operation would affect bookings.

PEARSON